

VZCZCXRO2714
PP RUEHBI RUEHCI RUEHLH RUEHPW
DE RUEHCI #0201/01 1321251
ZNR UUUUU ZZH
P R 121251Z MAY 06
FM AMCONSUL CALCUTTA
TO RUEHC/SECSTATE WASHDC PRIORITY 0935
INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHNE/AMEMBASSY NEW DELHI 0854
RUEHCG/AMCONSUL CHENNAI 0329
RUEHBI/AMCONSUL MUMBAI 0329
RUEHKA/AMEMBASSY DHAKA 0194
RUEHGO/AMEMBASSY RANGOON 0120
RUEHKT/AMEMBASSY KATHMANDU 0198
RUEHBUL/AMEMBASSY KABUL 0019
RUEHIL/AMEMBASSY ISLAMABAD 0144
RUEHLH/AMCONSUL LAHORE 0081
RUEHPW/AMCONSUL PESHAWAR 0058
RUEHKP/AMCONSUL KARACHI 0081
RUCNDT/USMISSION USUN NEW YORK 0021
RUEHGV/USMISSION GENEVA 0027
RHMFIUU/CDR USPACOM HONOLULU HI
RUEAIIA/CIA WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RHMFIUU/DEPT OF ENERGY WASHINGTON DC
RUEHC/USAID WASHDC
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
RUEHCI/AMCONSUL CALCUTTA 1138

UNCLAS SECTION 01 OF 03 CALCUTTA 000201

SIPDIS

SENSITIVE
SIPDIS

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [EINV](#) [ECON](#) [SOCI](#) [ETRD](#) [IN](#)

SUBJECT: TREASURY U/S ADAMS MEETS WEST BENGAL FINANCE MINISTER AND
CALCUTTA BUSINESS COMMUNITY

¶1. (U) Summary: May 2-3, 2006 U.S. Department of the Treasury Under Secretary for International Affairs Mr. Timothy D. Adams visited Calcutta as part of his trip to India for the Asian Development Bank's Annual meeting in Hyderabad. During his time in Calcutta, U/S Adams met with West Bengal Finance Minister Dr. Asim Dasgupta, CEO Forum Member Y.C. Deveshwar and members of the Indo-American Chamber of Commerce (IACC) and the newly formed American Chamber of Commerce (AMCHAM). In addition, he visited a micro-credit nongovernmental organization (NGO) Bandhan and U.S. biotechnology company Chembiotek, which is conducting immunology research as part of a National Institute of Health (NIH) USD 26 million grant. In U/S Adams' meetings, business leaders and government officials highlighted the positive economic trends in West Bengal (WB) and East India but all emphasized the need for greater foreign investment in infrastructure. Other areas that were seen as attractive investment opportunities included information technology, biotechnology, chemicals and petrochemicals, and mineral based manufacturing. While contacts expressed positive views on the economic trends in India's Eastern region, they also commented on the importance of spreading the benefits of economic growth and opportunity to the poor and disenfranchised. As one of the more senior USG officials to visit the Calcutta in recent years, U/S Adams' visit generated significant media attention. Through his interactions, U/S Adams gained clearer picture of the economic and social developments in East India, the positive experience of U.S. businesses as well as corporate India's residual protectionism. End Summary

West Bengal Government's Perspective on Economic Development

¶2. (SBU) In U/S Adams' meeting with Finance Minister (FM) Dr. Asim Dasgupta, the FM stressed that West Bengal (WB) was experiencing rapid growth, faster than the national average, and

it was the commercial hub for a market of 400 million people. However, infrastructure was the key to sustaining the state's economic growth rate of over 7 percent. The road network is being improved in WB and the region, with projects like the "Golden Quadrilateral," linking Mumbai, New Delhi, Chennai and Calcutta and links with East Asia planned through the Trans Asean Highway and the Nathula Pass on the border with Tibet. An elevated light rail transit system is planned to handle growing traffic congestion within Calcutta. India's Planning Commission is presently carrying out a feasibility study for a deep-sea port on Sagar Islands in the Bay of Bengal, while a new airport financed by private investors is being proposed to handle increasing flights. FM Dasgupta emphasized the importance of a public-private-partnership (PPP) model to develop WB's infrastructure, implicitly contradicting the position of the FM's Communist Party of India (Marxist) (CPM) leadership at the national level, which has opposed private investment in Mumbai and New Delhi airports.

13. (U) FM Dasgupta also reflected on the importance of power generation for West Bengal's future economic development. The state has 7500 MW of existing capacity, which is only in slight deficit during the hot, peak season of demand. The state will be installing additional capacity of 5500 MW of power in the next five years. While coal-based power remains the main source of generation, a 900 MW pump water storage hydroelectric project in Purulia district is due to come online in early 2007. WB is also planning on expanding land irrigation for the key agriculture sector from 69% of total area under cultivation to 85% in the next couple of years. To meet this target, the WB government has initiated the Teesta river project at a cost of USD 227 million.

14. (U) FM Dasgupta emphasized that the state's rapid economic

CALCUTTA 00000201 002 OF 003

growth should be inclusive and the benefits extended to the rural poor. Therefore, the WB government hopes to improve delivery of primary health and education services. He noted that WB's Infant Mortality Rate (IMR) is 40 per 1000 as opposed to the national average of 60 per 1000. The FM added that just by decentralizing health services facilities in some of the areas in the state, the IMR fell drastically to below 10 per 1000 in those areas. The decentralizing policy involved greater involvement from local administrative officers and by propagating preventive practices through village and women counselors.

Business Positive About Economic Growth in East India

15. (SBU) Local industry leaders echoed FM's optimism about the economic growth and prospects of WB and the East Indian region. In his discussions with U/S Adams, CEO Forum Member and India Tobacco Corporation (ITC) CEO Deveshwar commented favorably on recent trends in economic development in East India. He also was encouraged by the growing Indo-U.S. relationship but stressed that the proposed agreement on civilian nuclear cooperation has become a symbol of the partnership between the two countries and its final approval would be critical to an enhanced bilateral relationship. However, Deveshwar cautioned that fundamental social and poverty related issues are not being fully addressed by the private sector economic growth. He added India needed to create 9-10 million jobs annually and this was the biggest challenge for the country. As a member of the CEO Forum, Deveshwar expressed views that were surprisingly protectionist. Possibly reflecting his company, ITC's future retail plans, Deveshwar opposed the entry of foreign retail firms such as Wal-Mart in India, claiming Wal-Mart had a bad reputation in the U.S. and its purchases of agricultural products would put added pressure on already suffering farmers to keep prices low. PricewaterhouseCoopers (PwC)-Calcutta Managing Director Roopen Roy, also in attendance at the meeting, countered that FDI in retail would enable Indian farmers to receive better farm prices by improving the supply and distribution infrastructure.

Deveshwar further complained that in other sectors presently open to FDI, such as financial services and insurance, foreign companies only serviced the upper and middle classes, ignoring India's poor. In the discussions, new technologies in agriculture, biotech, private participation in civilian nuclear energy, and alternative dispute redressal mechanisms (ADR) were identified as future areas of collaboration between US and India.

¶6. (SBU) The message of East India's strong economic potential was repeated in U/S Adams' interaction with representatives of IACC and AMCHAM. The group of approximately twenty chamber members included such notables as Bank of America, Ernst & Young and Quaker Chemicals. The corporate representatives were bullish about the business prospects in this region and enhanced links with the US. They noted that while there is a significant focus on investment by US companies in IT and IT-enabled services, the region is also an investment destination for biotechnology and petrochemicals. U/S Adams' visit to the office of U.S. Company Chembiotek provided a firsthand opportunity to see U.S. investment in biotechnology research in the region. In addition, part of a USD 26 million NIH grant is funding Chembiotek's work in typhoid and cholera immunology research. The USG funding is being used to map the genetic profile of diseases in India and to test the efficacy of existing vaccines.

Poor Women Also Seek Economic Opportunity

CALCUTTA 00000201 003 OF 003

¶7. (U) U/S Adams balanced his exposure to the economic and social development in Calcutta and East India by visiting micro-credit NGO Bandhan to understand the needs and circumstances of the society's disenfranchised. The ability of the poor to lift themselves out of poverty has been hampered by the lack of affordable credit. Bandhan, funded by Ford Foundation and other NGOs, has demonstrated great success in providing micro-loans of USD 40-70 to poor women. From its beginning in 2002, Bandhan has grown from 2 branches in West Bengal to 155 and has increased its loan disbursements from USD 60,000 to USD 17.5 million. On time loan repayment is 99.98 percent. Bandhan plans to increase its number of women borrowers from 529,250 to 2,775,000 by 2010. By partnering with the Small Industrial Development Bank of India (SIDBI) and the UK Department for International Development (DFID), Bandhan hopes to become a full-fledged bank for the poor by 2020. Meeting some of the women borrowers and seeing their projects, U/S Adams was able to see the desire by India's poor to also benefit from economic liberalization and growth.

Strong Media Interest

¶8. (U) As one of the few senior USG officials to travel to Calcutta in recent years, U/S Adams' visit generated significant media interest. Four television channels, with a combined viewership of 64 million people, provided primetime coverage. Seven newspapers, with a combined circulation of over one million, and two wire services published stories on the visit as well. Lead English daily "The Telegraph" published a four-column headline "Official Visit, Stronger Ties" and reported, "Adams' visit to the city highlighted the strengthening bonds between two nations."

COMMENT

¶9. (SBU) Comment: U/S Adams' visit was an opportunity to assess the generally positive public and private sector perspectives on economic opportunities in Calcutta and East India. It also served to highlight the expanding US investment and engagement with this region. As noted by FM Dasgupta, that investment will be critical to WB's plans for infrastructure

development. The meeting with FM Dasgupta again showed the persistent disconnect between the CPM national leadership's ideological stance against private investment, and the WB government's more pragmatic position. The interaction with CEO Forum member Deveshwar and his criticism of foreign investment demonstrated that some Indian corporate leaders retain their predilection for protectionism. The members of the "Bombay Club" that encouraged and prospered under the old "Licensing Raj" are still not apparently convinced of the benefits of FDI and can with little irony, assume the arguments of the Leftists to question whether the poor are being left behind, to justify blocking foreign investors.

JARDINE